

Message Text

CONFIDENTIAL

PAGE 01 ROME 08398 01 OF 02 201903Z

ACTION NEA-10

INFO OCT-01 EUR-12 IO-13 ISO-00 L-03 SSO-00 NSCE-00
INRE-00 USIE-00 ACDA-07 AGRE-00 AID-05 CEA-01
CEQ-01 CG-00 CIAE-00 EPG-02 COME-00 DLOS-09
DOTE-00 EB-07 EPA-01 ERDA-05 FEAE-00 FMC-01
TRSE-00 H-01 INR-07 INT-05 JUSE-00 NSAE-00 NSC-05
NSF-01 OES-07 OMB-01 PA-01 PM-04 PRS-01 SP-02
SS-15 NEAE-00 /128 W

-----201929Z 107946 /41

O 201750Z MAY 77

FM AMEMBASSY ROME

TO SECSTATE WASHDC IMMEDIATE 4785

INFO AMEMBASSY TUNIS IMMEDIATE

AMEMBASSY PARIS

AMEMBASSY CAIRO

AMEMBASSY LONDON

AMEMBASSY RABAT

AMEMBASSY TRIPOLI IMMEDIATE

AMEMBASSY VALLETTA

AMEMBASSY ALGIERS

USMISSION USUN NEW YORK

CINCUSAVEUR

COMSIXTHFLT

EUCOM

SECDEF

USDOCOSOUTH

C O N F I D E N T I A L SECTION 1 OF 2 ROME 8398

E.O. 11652: GDS

TAGS: PFOR, PLOS, PBOR, ENRG, LY, IT, TS

SUBJECT: TUNISIAN-LIBYAN CONTINENTAL SHELF DISPUTE: ENI'S ROME

REF: STATE 109446 (NOTAL) AND PREVIOUS

SUMMARY: DISCUSSIONS MAY 19 WITH ENI OFFICIAL SHED SOME

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 ROME 08398 01 OF 02 201903Z

LIGHT ON ENI ROLE IN TUNISIA-LIBYA DISPUTE. ENI'S
ACCOUNT MINIMIZES ITS ROLE IN ARRANGING FOR READING AND
BATES RIG TO SUBSTITUTE ENI/SAIPEM SCARABEO IV RIG AND
MAINTAINS THAT CONTRACT IS ENTIRELY BETWEEN LIBYAN
NATIONAL OIL CO. (NOC) AND READING AND BATES. EXACT
CIRCUMSTANCES SURROUNDING SCARABEO IV'S DEPARTURE, I.E.
DEGREE OF GOI AND LARG APPROVAL IF ANY, NOT CLEAR. NEVER-

THELESS, WE ARE INCLINED TO DISCOUNT REPORTS OF GOI MANIPULATION. END SUMMARY.

1. ECMIN'S MAY 19 CALL ON SENIOR ENI OFFICIAL (WHO STRESSED CONFIDENTIAL NATURE OF HIS REMARKS) CLARIFIED BACKGROUND OF LIBYA-TUNISIA CONTINENTAL SHELF DISPUTE AND ENI'S ROLE THEREIN. ENI PETROLEUM EXPLORATION SUBSIDIARY AGIP AND NOC SIGNED CO-PRODUCTION CONTACT WITH AGIP AS OPERATOR. SAIPEM, ANOTHER ENI SUBSIDIARY (LINKED TO AGIP ONLY AT THE HOLDING-COMPANY ENI-LEVEL), WAS IN TURN SUBCONTRACTED BY AGIP TO DRILL IN THE AGIP'S AREA AND IN FACT HAS DRILLED A NUMBER OF HOLES OVER THE LAST SEVERAL YEARS IN LIBYAN WATERS UNDER THE CONTRACT. EXECUTIVE DECISIONS ARE MADE BY A 3-MEMBER PANEL OF 2 LIBYANS AND 1 ITALIAN. BY MAJORITY VOTE, AND OVER AGIP REPRESENTATIVE'S OBJECTIONS, AGIP WAS ORDERED TO DRILL IN WATERS IN QUESTION. AGIP WAS AWARE THE AREA WAS CONTESTED, BUT RECEIVED LARGE GUARANTEES RELATING TO SAFETY, ETC.

2. FOLLOWING TUNISIAN INTERVENTION, SCARABEO IV CEASED DRILLING OPERATIONS AND HOLE WAS CAPPED. BECAUSE OF SAIPEM'S UNWILLINGNESS TO CONTINUE DRILLING OPERATIONS, LARG TEMPORARILY SUSPENDED AGIP'S OPERATING CONTRACT FOR THE DISPUTED AREA AND REQUESTED AGIP TO CONDUCT A SURVEY TO DETERMINE WHETHER ANOTHER FIRM WOULD DRILL IN THE CONTESTED ZONE. AGIP, CONVINCED THAT NO FIRM WOULD TAKE SUCH A RISK, CONDUCTED INQUIRIES WHICH PRODUCED NO INITIAL RESULTS. ACCORDING TO ENI REP, READING AND BATES LATER APPROACHED NOC ON ITS OWN TO UNDERTAKE JOB (WHICH IT CONFIDENTIAL

CONFIDENTIAL

PAGE 03 ROME 08398 01 OF 02 201903Z

HAD EARLIER DECLINED) AND NEGOTIATED AN APPROPRIATE CONTRACT, BASED ON STANDARD DRILLING CONTRACTS, WITH NOC. ENI REP IMPLIED THAT AGIP'S LIBYAN OFFICE HAD ASSISTED IN THE NEGOTIATIONS, BUT FIRMLY MAINTAINED THAT CONTRACT WAS SOLELY BETWEEN NOC AND READING AND BATES. HE SAID THAT NOC HAD PLACED ON DEPOSIT A SUM EQUAL TO THE VALE OF THE DRILLING SHIP J. W. BATES. WITH READING AND BATES IN THE WINGS AND COSTS RUNNING \$70,000 PER DAY, SAIPEM DECIDED TO WITHDRAW SCARABEO IV. SCARABEO IV IS PRESENTLY IN A SICILIAN PORT AWAITING ASSIGNMENT IN ANOTHER PART OF AGIP'S OPERATING AREA.

COMMENT: ENI OFFICIAL'S PRESENTATION EMPHASIZED IMPORTANCE OF BUSINESS MOTIVES AND SAIPEM'S FREEDOM OF ACTION TO WITHDRAW RIG. WHILE WITHDRAWAL DECISION WAS OBVIOUSLY CLEARED WITH ENI OFFICIALS, ENI REP DID NOT INDICATE THAT GOI APPROVAL WAS EITHER REQUESTED OR GRANTED AND, IN FACT, ENI REP NOWHERE DURING THE DISCUSSION REFERRED TO ANY GOI ROLE. END COMMENT.

3. EMIN NOTED THAT USG POLICY IS TO DISCOURAGE US FIRMS FROM BECOMING INVOLVED IN CONTESTED AREAS AND THAT STRONG LETTER HAD BEEN SENT TO READING AND BATES IN THIS REGARD. HOWEVER, USG LACKED MEANS TO ENFORCE ITS POLICY AGAINST COMPANY. ENI OFFICIAL SHOWED CONSIDERABLE FAMILIARITY WITH USG POLICY IN THIS AREA.

4. ENI REP DECLINED TO SPECULATE ON LARG "REACTION AND CONSEQUENCES OF SCARABEO IV'S DEPARTURE, OR WHETHER ENI INTERESTS IN LIBYA WOULD BE DAMAGED. HE NOTED THAT AGIP'S

RELATIONS WITH LARG/NOC HAD BEEN STRAINED. RE REACTION TO ARRIVAL OF J. W. BATES, ENI REP WAS DOUBTFUL THAT VIOLEND WOULD BE USED; NEVERTHELESS, IT COULD NOT BE RULED OUT. COMMENT: SOME IDEA OF POSSIBLE REPERCUSSIONS WAS GIVEN AT MAY 19 ROME PRESS CONFERENCE BY LIBYAN EX-PRIME MINISTER
CONFIDENTIAL

CONFIDENTIAL

PAGE 04 ROME 08398 01 OF 02 201903Z

JALLUD WHICH WAS CARRIED BY MOST ITALIAN PAPERS, PARTICULARLY COMMENTS LINKING RESOLUTION OF SCARABEO IV SITUATION TO PROGRESS ON PROPOSED ITALY-LIBYA TECHNICAL AND FINANCIAL COOPERATION AGREEMENT. SIGNATURE OF THIS AGREEMENT, ACCORDING TO THE PRESS, WOULD PERMIT VISIT OF PRIME MINISTER ANDREOTTI, CONSIDERED AN IMPORTANT STEP IN EXPANDING ITALIAN COMMERCIAL PROSPECTS IN LIBYA. (PRESS REPORTS ALSO SAID THAT JALLUD INDICATED THAT LARG DOES NOT NEED TO DISCUSS WHO OWNS THE CONTESTED AREA BECAUSE THE QUESTION WAS RESOLVED BY AGREEMENT WITH TUNISIA IN 1967.) PRESS REPORTED ENI SPOKESMAN AS SAYING IN REACTION TO JALLUD'S PRESS CONFERENCE, THAT WITHDRAWL OF SCARABEO IV WAS DUE TO FACT THAT LIBYANS HAD INVITED US RIG TO DRILL IN ITS PLACE. END COMMENT.

5. RIG J.W. BATES NOW EXPECTED TO ARRIVE MAY 22.

CONFIDENTIAL

NNN

CONFIDENTIAL

PAGE 01 ROME 08398 02 OF 02 201918Z

ACTION NEA-10

INFO OCT-01 EUR-12 IO-13 ISO-00 L-03 SSO-00 NSCE-00
INRE-00 USIE-00 ACDA-07 AGRE-00 AID-05 CEA-01

CEQ-01 CG-00 CIAE-00 EPG-02 COME-00 DLOS-09
DOTE-00 EB-07 EPA-01 ERDA-05 FEAE-00 FMC-01
TRSE-00 H-01 INR-07 INT-05 JUSE-00 NSAE-00 NSC-05
NSF-01 OES-07 OMB-01 PA-01 PM-04 PRS-01 SP-02
SS-15 NEAE-00 /128 W

-----201931Z 108332 /41

O 201750Z MAY 77
FM AMEMBASSY ROME
TO SECSTATE WASHDC IMMEDIATE 4786
INFO AMEMBASSY TUNIS IMMEDIATE
AMEMBASSY PARIS
AMEMBASSY CAIRO
AMEMBASSY LONDON
AMEMBASSY RABAT
AMEMBASSY TRIPOLI IMMEDIATE
AMEMBASSY VALLETTA
AMEMBASSY ALGIERS
USMISSION USUN NEW YORK
CINCUSNAVEUR
COMSIXTHFLT
EUCOM
SECDEF
USDOCOSUTH

C O N F I D E N T I A L SECTION 2 OF 2 ROME 8398

6. ENI REP SAW NO RPT NO CONNECTION BETWEEN THIS ISSUE
AND ALGERIA-SICILY GAS PIPELINE PROJECT. HE NOTED THAT ENI
HAD BEHAVED CORRECTLY TOWARD THE TUNISIANS, BUT PROJECT HAD
FOUNDERED ON TUNISIAN DEMANDS. DESPITE DECISION IN FAVOR
OF LNG TANKERS AND LIQUIFICATION-REGASIFICATION PLANTS,
ENI REP STATED THAT THERE WAS STILL TIME TO DECIDE IN FAVOR
OF GAS PIPE-LINE IF TUNISIANS BECAME MORE REASONABLE.
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 ROME 08398 02 OF 02 201918Z

7. COMMENT: WE HAVE ONLY SPARSE INDICATIONS THAT ENI MAY
HAVE CLEARED SCARABEO IV'S DEPARTURE WITH GOI. THERE IS NO
DOUBT THAT GOI AND ENI SHARED A COMMON AND DEEPLY FELT DESIRE
TO GET OFF THIS PARTICULAR HOOK AND THAT THEY PROBABLY
AGREED IN PRINCIPLE THAT REMOVING THE SCARABEO IV FROM
THE SCENE WOULD BE AN IMPORTANT STEP FORWARD IN ACCOMPLISHING
THEIR GENERAL OBJECTIVE. HOWEVER, WE BELIEVE IT UNLIKELY
THAT ENI SPECIFICALLY SOUGHT THE GOI'S PERMISSION OR THAT
THERE WAS ANY AGREEMENT, EVEN TACIT, ON THE TIMING OF THE
PULLOUT. IN VIEW OF LIBYAN EX-PRIME MINISTER JALLUD'S
VISITS (ROME 7883 AND PARA 4 ABOVE) AND ADREOTTI'S
FORTHCOMING VISIT TO TRIPOLI, IT IS UNLIKELY THAT THE GOI
WOULD HAVE GRANTED PERMISSION EVEN IF IT HAD BEEN REQUESTED.
WE DO NOT FIND IT BEYOND IMAGINING THAT ENI, FACED WITH THE

ALTERNATIVE OF REMAINING INDEFINITELY OR CONFRONTING AN EVEN MORE DIFFICULT SITUATION WITH THE ARRIVAL OF THE J. W. BATES, DECIDED TO CUT AND RUN WHEN IT HAD THE OPPORTUNITY AND INCIDENTLY PRESENTING THE GOI WITH A FAIT ACCOMPLI. WE NOTE THAT ANY GOT ACTION TO PREVENT THE J. W. BATES FROM COMMENCING OPERATIONS WOULD STRENGTHEN ENI'S ARGUMENTS THAT FORCE MAJEURE HAS PREVENTED ENI FROM FULFILLING ITS CONTRACTUAL OBLIGATIONS, A DEFENSE OF LITTLE CREDIBILITY SHOULD THERE BE MANY OTHERS WILLING TO UNDERTAKE THE TASK.

7. THE AMOUNT AND/OR NATURE OF GOI LEVERAGE ON ENI, OR CONVERSELY, ENI'S LEVERAGE ON THE GOI, IS DIFFICULT TO DETERMINE. THE FACT THAT ENI'S CAPITAL IS HELD BY THE GOI IS NOT SUFFICIENT TO CONCLUDE THAT THE GOI IN FACT MAKES OPERATING DECISIONS; ENI IS A LARGE, EMPORANT COMPANY IN ITALY WHICH GIVES IT SOME INFLUENCE OVER THE GOI AND CONSIDERABLE FREEDOM OF ACTION. IN THE LAST ANALYSIS, ENI IS SUSCEPTIBLE TO CONSIDERABLE POLITICAL INFLUENCE, BUT IT IS WORTHWHILE REMEMBERING THAT (A) ENI HAS CONSIDERABLE ABILITY TO INFLUENCE AND SHAPE THE POLITICAL DEMANDS MADE ON IT AND (B) ENI HAS CONFIDENTIAL

CONFIDENTIAL

PAGE 03 ROME 08398 02 OF 02 201918Z

CONSIDERABLE ABILITY TO PURSUE INDEPENDENT COURSES OF ACTION WHICH MAY BE CONTRARY TO THE GOI'S WISHES, PARTICULARLY WHEN THOSE WISHES ARE NOT STRONGLY OR CLEARLY FORMULATED.

8. RE ENI'S RELATIONS WITH NOC AND THE LARG, WE TOO GET CONFLICTING SIGNALS. NONE OF THE INFORMATION AT OUR DISPOSAL, HOWEVER, INDICATES THAT RELATIONS WERE IMPROVED BY THE SCARABEO IV INCIDENT OR THAT THE PARTING WAS AMICABLE. JALLUD'S PRESS CONFERENCE REMARKS WOULD APPEAR TO CONFIRM LARG DISPLEASURE WITH THE WITHDRAWAL, AND ARE CONSISTENT WITH INDICATIONS WE HAVE BEEN GETTING PRIVATELY FROM THE MINISTRY OF FOREIGN AFFAIRS.GARDNER

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: DISPUTES, CONTINENTAL SHELF, OFFSHORE DRILLING, PROGRESS REPORTS, OFFSHORE OIL FIELDS
Control Number: n/a
Copy: SINGLE
Sent Date: 20-May-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977ROME08398
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770180-0742
Format: TEL
From: ROME
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770535/aaaabeah.tel
Line Count: 263
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: e4b2468d-c288-dd11-92da-001cc4696bcc
Office: ACTION NEA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 77 STATE 109446
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 17-Nov-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2434946
Secure: OPEN
Status: NATIVE
Subject: TUNISIAN-LIBYAN CONTINENTAL SHELF DISPUTE: ENI'S ROME
TAGS: PFOR, PLOS, PBOR, ENRG, LY, IT, TS
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/e4b2468d-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009